EXHIBIT

1

Blumberg No. 5208

LIBERTY TAX SERVICE

LIBERTY TAX SERVICE
UNIFORM FRANCHISE OFFERING CIRCULAR

JTH TAX, INC.
4575 Bonney Road
Virginia Beach, VA 23462
(757) 493-8855
(800) 790-3863

INFORMATION FOR PROSPECTIVE FRANCHISE OWNERS
REQUIRED BY THE FEDERAL TRADE COMMISSION

To protect you, we have required your franchiser to give you this information. We have not checked it and we do not know if it is correct. It should help you make up your mind. Study it carefully. While it includes some information about your contract, do not rely on it alone to understand your contract. Read all of your contract carefully. Buying a franchise is a complicated investment. Take your time to decide. If possible, show your contract and this information to an advisor, like a lawyer or accountant. If you find anything you think may be wrong or anything important that has been left out, you should let us know about it. It may be against the law. There may also be laws on franchising in your state. Ask your state agencies about them.

FEDERAL TRADE COMMISSION
Washington, DC 20580

LIBERTY TAX SERVICE

FRANCHISE OFFERING CIRCULAR

Liberty Tax Service
A Delaware Corporation
4575 Bonney Road
Virginia Beach, VA 23462
(800) 790-3863
(757) 493-8855

Liberty Tax Service offers a franchise program to operate tax return preparation offices utilizing special marketing techniques and operating procedures.

The initial franchise fee is $20,000 per new, undeveloped territory through November 30, 2002, and then $25,000 thereafter. The approximate initial investment for undeveloped territories is $33,050 to $49,400.

RISK FACTORS

THE LIBERTY TAX FRANCHISE AGREEMENT REQUIRES ALL LAWSUITS TO BE INITIATED IN VIRGINIA COURTS. FOR FRANCHISEES OUT OF STATE, SUING IN VIRGINIA MAY RESULT IN ADDITIONAL COSTS. ALSO, OUT OF STATE LITIGATION MAY RESULT IN A LESS FAVORABLE SETTLEMENT. STATE LAW IN YOUR STATE MAY OVERRIDE THE REQUIREMENT TO SUE IN VIRGINIA.

THIS FRANCHISE AGREEMENT DECLARES THAT VIRGINIA LAW GOVERNS THE AGREEMENT. VIRGINIA LAW MAY NOT PROVIDE YOU THE SAME PROTECTIONS THAT YOUR STATE LAW PROVIDES. YOUR STATE LAW MAY OVERRIDE THE PROVISION DECLARING THAT VIRGINIA STATE LAW APPLIES. YOU MAY WANT TO CHECK YOUR STATE LAW.

THE FRANCHISER RETAINS THE RIGHT TO DISTRIBUTE SIMILAR PRODUCTS AND SERVICES AS THOSE OFFERED HEREIN, BY MEANS OTHER THAN RETAIL OR STOREFRONT LOCATIONS, IN THE FRANCHISEE'S EXCLUSIVE TERRITORY.

CONTINUATION OF YOUR RIGHTS TO BE A FRANCHISEE DEPENDS UPON YOUR ABILITY TO PREPARE 1000 FEDERAL INCOME TAX RETURNS IN YOUR FOURTH AND EACH SUBSEQUENT TAX SEASON. THERE MAY BE OTHER RISKS ASSOCIATED WITH THE FRANCHISE.

Information comparing franchisers is available. Call the State Administrators listed in Exhibit F or your public library for sources of information.

Registration of this franchise with the state does not mean that the state recommends it or has verified the information in this offering circular. If you learn that anything in this Offering Circular is untrue, contact the Federal Trade Commission and the state authority.

Exhibit A lists the Effective Dates of this Offering Circular for Hawaii, Illinois, Indiana, Maryland, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin. The Issuance Date in all other states is June 30, 2002.

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ITEM 1
THE FRANCHISER AND AFFILIATES

The Franchiser and our Affiliates. To simplify the language in this offering circular, the terms "we", "us", "our", "Liberty", and "JTH" refers to JTH Tax, Inc. d/b/a Liberty Tax Service. The terms "you" and "your" refer to the person or entity that buys this franchise including any guarantors. JTH is a Delaware corporation incorporated on October 23, 1996. We do business as "Liberty Tax Service."

JTH owns 60% of the Canadian corporation Liberty Tax Service Inc. ("Liberty-Canada"). Liberty-Canada franchises income tax preparation offices in Canada under the name Liberty Tax Service and operates and franchises bookkeeping and accounting stores in Canada under the mark "The Accounting Store." JTH acquired a majority interest in Liberty-Canada in September 1997, at which time its name was Tax Depot Inc. JTH also owns 100% of the Canadian corporation Liberty Tax Holding Corporation ("Liberty-Holding"), an Ontario corporation incorporated in October 2001. Liberty-Holding does not operate but owns the remaining 40% of Liberty-Canada. JTH also previously franchised in the United States under the trade name "The Accounting Store" which offered bookkeeping, accounting and tax preparation services to small and very small business owners. JTH offered The Accounting Store in the year 2000 but no longer offers this franchise. JTH also has a wholly owned subsidiary, Employees Plus, Inc., incorporated on November 1, 2000 in the State of Virginia. Employees Plus, Inc. operated 23 Liberty Tax offices in the United States during the January-April 2002 tax season.

In certain select states, we use a franchise broker to assist in the offer, sale and support of franchises. However, they do not operate in your area at this time.

Our principal place of business, and that of all of our affiliates, except Liberty-Canada, is 4575 Bonney Road, Virginia Beach, Virginia 23462. Our agent for service of process, and the agent for all of our affiliates, except Liberty Canada, is listed in Exhibit F. The principal place of business for Liberty-Canada is 1345 Pembina Highway, Winnepeg, Manitoba R3T 2B6 and its registered agent is Ms. Josie Hunt located at the same address. You can reach us by telephone at (757) 493-8855, by fax at (757) 493-0169 and by e-mail at libtax@libtax.com.

Our Business and the Franchises Offered. We offer franchises to operate income tax preparation offices using our marks "Liberty Tax Service", "Liberty Tax", "Liberty Income Tax", any further marks we develop, and our proprietary business methods and marketing techniques in a specified geographic territory.

Customers and Competition. Liberty is a retail income tax return preparation business which primarily attracts customers from the low to middle income brackets. The business is seasonal with most of the customer flow occurring from early January through the middle of April each year. The primary competition in this market is from H&R Block. Other competition comes from Jackson Hewitt Inc., regional and local tax return preparation and accounting businesses.

Laws and Regulations. The tax return preparation industry is regulated by the Internal Revenue Code and its associated regulations. These laws govern the preparation and electronic filing of tax returns. You cannot file tax returns electronically unless you can obtain an electronic filing identification number (EFIN) from the Internal Revenue Service ("IRS"). If you or a firm in which you were a principal was assessed a tax preparer penalty, been convicted of an IRS or monetary crime, failed to file a tax return or pay taxes, or cannot pass an IRS background suitability check, you may be unable to obtain an EFIN. The electronic filing of tax returns is essential to this business. If you cannot obtain an EFIN you cannot operate this franchise. The IRS also regulates other aspects of the business by requiring that tax preparers use appropriate diligence in tax preparation, sign the completed return, furnish a copy of the return to the customer, maintain a customer list, safeguard customer privacy, and not negotiate, directly or indirectly, income tax refund checks. Also, the IRS and certain states regulate advertising associated with refund anticipation loans.

States also have laws and regulations governing the preparation of state tax returns. Most states have regulations regarding the electronic filing of tax returns. However, many states accept federal suitability testing, so if you can obtain an EFIN from the IRS, you can file many state returns electronically as well. Some states have regulations regarding the provision of refund anticipation loans and require submission and approval of a registration application in order to offer such loans. Some states regulate tax classes in that the offering of such classes falls within these states' definition of proprietary schools. If you operate within one of these states, you may have to submit an application on your proposed tax courses and meet various requirements concerning instructor qualifications, course topics, classroom facilities, and other matters related to the courses offered. A few states mandate certain minimum qualifications and licensing for tax preparers. Florida imposes a documentary tax on loans.

Our Prior Business Experience. We have been in the income tax preparation business and have offered franchises in this business since 1997. In the January-April 2002 tax season, we had 412 Liberty offices in the United States, 389 of

which were franchised and 23 of which were operated by Employees Plus. As of June 2002 we also had two Accounting Store franchises in the United States.

Liberty-Canada, through its predecessors, has been in the income tax preparation business since 1972 and in the income tax rebate discounting business since 1983. Through itself and predecessors, Liberty-Canada has offered franchises in Canada since 1975. In the January-April 2002 tax season, Liberty-Canada had 198 Liberty offices in Canada, 190 of which were franchised and 8 of which were company operated. Liberty-Canada has also operated or franchised Accounting Stores since 1999. As of June 2002, Liberty-Canada had six franchised Accounting Stores.

ITEM 2
BUSINESS EXPERIENCE

John Hewitt, President, Chief Executive Officer and Chairman. John Hewitt has served as the President, Chief Executive Officer and Chairman of JTH since October 1996. Mr. Hewitt also served as the Chairman of Liberty-Canada since September 1997 and was its President from September 1997 until April 1998. From August 1982 until June 1996, Mr. Hewitt was the Founder, President, Chief Executive Officer and Chairman of Jackson Hewitt Inc., in Virginia Beach, Virginia. Jackson Hewitt has franchised tax return preparation offices since 1986. From December 1969 until June 1981, Mr. Hewitt held the varying positions of Tax Preparer, Assistant District Manager, District Manager, and Regional Director with H&R Block in Buffalo and Elmira, New York and Moorestown, New Jersey.

George Robson, Director. Mr. Robson has served as a Director since April 1999. Mr. Robson has also served as the Chief Financial Officer for Dendrite International, a sales and software concern in Morristown, New Jersey from June 1996 to present. Mr. Robson was the Chief Financial Officer for H&R Block in Kansas City, Missouri, from January 1996 until May 1997, and held the same title and position with Unisys Corp. in Blue Bell, Pennsylvania from January 1990 until December 1995.

Gary Golding, Director. Gary Golding has been a Director since October 2000. Mr. Golding has also served as a General Partner with Edison Venture Fund in McLean, Virginia since October 1997. Mr. Golding was a General Partner with CEO Venture Fund in Pittsburgh, Pennsylvania from October 1985 until October 1997. From October 1985 until October 1997, Mr. Golding was the General Partner of CEO Venture Fund in Vienna, Virginia.

Steven Ibbotson, Director. Mr. Ibbotson has served as a Director since June 1999. Since September 1997 until the present, he has also served as a General Manager for Farm Business Consultants in Calgary, Alberta. From September 1995 until September 1997, he served as a General Manager-Western Canada for Farm Business Consultants also in Calgary, Alberta. From September 1993 until September 1995 he served as Director of Marketing for the same employer in London, Ontario.

Steven Lepkowski, Director. Mr. Lepkowski has served as a Director since June 1999. Since October 1984 until the present, Mr. Lepkowski has also served as a Marketing Manager for Texas Instruments in Dallas, Texas.

James Davis, Director. Mr. Davis has served as a Director since June 1999. Since May 1977 until the present, he has also served as a mathematician for the Federal Aviation Administration in Pomona, New Jersey.

Ross Longfield, Director. Mr. Longfield has served as a Director since December 2001. From September 1960 until December 2000, Mr. Longfield served as the Chief Executive Officer of Household Retail Services in Bridgewater, New Jersey.

Donna Halligan, Vice-President of Franchise Operations and Corporate Secretary. Ms. Halligan has served as the Vice-President of Franchise Operations and Corporate Secretary since May 1997, and also held the position of Director of Taxation and Director of Training at various times during this period. From September 1994 until October 1996, Ms. Halligan served in varying capacities for Jackson Hewitt Inc. in Virginia Beach, Virginia, including Director of Training and Divisional Director. From November 1987 through November 1994, Ms. Halligan owned and operated Jackson Hewitt Tax Service franchises in the Syracuse, New York area. From January 1981 until April 1985 Ms. Halligan served as an H&R Block Tax Preparer in Syracuse, New York, two years of which she was also an Office Supervisor.

Martha O'Gorman, Vice-President of Marketing. Ms. O'Gorman has served as the Vice-President of Marketing of JTH since November 1996. From September 1989 until October 1996, Ms. O'Gorman served as the Director of Communications for Jackson Hewitt Inc., in Virginia Beach, Virginia.

Kathleen Curry, Vice-President of Legal. Ms. Curry has served as the Vice-President of Legal since July 1997. She also held the position of Vice-President of Technology from July 1997 until May 1999. From September 1992 until July 1997, Ms. Curry worked for Jackson Hewitt Inc. in Virginia Beach, Virginia in the varying capacities of Corporate Attorney, Director of Tax & Software and Regional Director. From January 1995 until March 1996, Ms. Curry temporarily left Jackson Hewitt and served as Product Manager for Best Programs, a Reston, Virginia software concern.

Charles Lovelace, Vice President of Franchise Development. Mr. Lovelace has served as our Vice President of Franchise Development from March 1999 until December 1999 and from May 2000 until the present. From December 1999 until the present Mr. Lovelace has also served in Virginia Beach, Virginia as the President of Creative Management Systems, Inc., a Liberty Tax Service franchisee. From April 1991 until March 1999 Mr. Lovelace served as the President of Junior Achievement of Greater Hampton Roads, Inc. in Norfolk, Virginia.

Raymond A. Dunn, II, Vice President of Corporate Development. Mr. Dunn has been the Vice President of Corporate Development since May 2000. From June 1999 until May 2000, Mr. Dunn served as our as Vice President and Chief Financial Officer. From August 1994 until June 1999, Mr. Dunn worked for InfiNet Co. in Norfolk, Virginia in the varying capacities of Director of Business Development, Director of Product Development and Controller & Business Manager. From November 1992 until July 1994, Mr. Dunn was self-employed as a CPA in Norfolk, Virginia.

Timothy J. Robinson, Chief Financial Officer. Mr. Robinson has been Chief Financial Officer since December 2000. From August 1999 until December 2000, Mr. Robinson was our Assistant Chief Financial Officer. From July 1998 to August 1999, Mr. Robinson was a Division Controller for Pembroke Enterprises in Virginia Beach, Virginia and from November 1994 to July 1998 he was Controller for Virtexco Corp. in Norfolk, Virginia. From September 1990 to July 1994, Mr. Robinson owned Jackson Hewitt franchises in Los Angeles, California and was employed by Jackson Hewitt from November 1992 to August 1994 as a Field Consultant and later as a Regional Director.

Mark Johnson, Vice President of Master Franchise Development. Mr. Johnson has served as our Vice President of Master Franchise Development since July 2001. From March 2000 until June 2001, Mr. Johnson served as our Assistant Vice President of Franchise Development. From August 1993 until January 1999 Mr. Johnson served as a Franchise Development Representative for Jackson Hewitt Inc. in Virginia Beach, Virginia.

Charles Kirkpatrick, Director of Technology. Mr. Kirkpatrick has served as our Director of Technology since March 2002. From June 1998 until May 2000, Mr. Kirkpatrick served as Director of Product Development for InfiNet in Norfolk, Virginia. From May 2000 until March 2002, Mr. Kirkpatrick served as Director of Customer Relationship Management, also at InfiNet in Norfolk, Virginia. From January 1997 until June 1998, Mr. Kirkpatrick was an Information Technology Consultant at Metro Information Systems in Virginia Beach, Virginia. From August 1996 until January 1997, Mr. Kirkpatrick served as Technical Operations Manager at Bell Atlantic Video Services in Chesapeake, Virginia. From January 1988 until August 1996, Mr. Kirkpatrick was a Vice President for Bank of America in Norfolk, Virginia.

ITEM 3
LITIGATION

Pending Litigation-

Republic Financial Services, LLC et al. v. JKS Holding Corp. and JTH Tax, Inc. d/b/a Liberty Tax, (Case No. 01CI02804) filed April 24, 2001 in the Circuit Court of Jefferson County, Kentucky. The plaintiffs allege that JKS, our former wholly owned subsidiary which is now dissolved, entered into a written contract whereby JKS agreed to purchase 50,000 refund anticipation loans from Republic between October 14, 1999 and October 13, 2001 yet in fact purchased no loans from Republic. Republic sues for breach of written contract against JKS and seeks to hold JTH liable by virtue of its alleged possession and control over JKS. Republic seeks unspecified compensatory damages, plus costs and attorney's fees.

JTH Tax, Inc. et al. v. H&R Block Eastern Tax Services, Inc. et al., (Case No. 2:00cv51), filed January 31, 2000 in the U.S. District Court for the Eastern District of Virginia, Norfolk Division. We and thirteen of our franchisees filed suit alleging that H&R Block engaged in false advertising through the use of advertising which promoted their refund anticipation loan as a product which allows the customer to "Spend more quality time with your refund", gives to the customer a "Rapid Refund", the "refund amount" or "a check in the amount of your refund", without disclosing that the product at issue is a bank loan less fees. H&R Block denied our allegations. However, on February 17, 2000, shortly after the beginning of a hearing on our Motion for Preliminary Injunction filed in this case, Block agreed in a Consent Order to discontinue the advertising we were seeking to stop at that time. In November 2000, we conducted a trial of this case and on February 23, 2001 the Court issued an Opinion and Order and then issued a Corrected Memorandum

Opinion and Order on March 7, 2001. The Court ruled that H&R Block had willfully, maliciously, and in bad faith committed false advertising in violation of the Lanham Act and had violated an IRS regulation which requires that refund anticipation loans clearly be advertised as loans. The Court awarded $506,477 in damages, plus costs and attorney's fees in the amount of $314,898.69. The Court also entered a permanent nationwide injunction against H&R Block requiring their future refund anticipation loan advertisements to (1) be in compliance with IRS regulations; (2) not refer to a loan as an "advance", "refund amount", or a check in the "amount of your refund", unless prominently and clearly stating that the product is a "loan"; and (3) not use the term "Rapid Refund" in connection with a loan.

H&R Block appealed the district court's ruling on several grounds. On January 10, 2002, the Fourth Circuit Court of Appeals affirmed in part, vacated in part, and remanded in part the district court's ruling. First, the Appeals Court upheld the finding that H&R Block had committed false advertising and had done so willfully, maliciously and in bad faith, and in violation of IRS regulations which prohibit misrepresenting loans as refunds in advertising. As such, the Appeals Court upheld in its entirety the award of $314,898.69 in attorney's fees and costs, which H&R Block paid to us with interest in February 2002. The Appeals Court vacated the third prong of the nationwide permanent injunction against use of "Rapid Refund", holding that the first two prongs of the injunction, which Block did not challenge on appeal, sufficiently barred Block from ever again misrepresenting loans as refunds in advertising. And finally, the Appeals Court held that the $506,477 damage award had been calculated in an incorrect manner and sent that issue back down to the district court to recalculate.

Terrence Halligan v. Liberty Tax Service Inc., (Case No. CI-00-01-21090), filed December 15, 2000 in the Queen's Bench, Winnipeg Center. The plaintiff, a franchisee of our Canadian subsidiary Liberty-Canada to whom Liberty-Canada had sent a notice of termination, alleged that Liberty-Canada wrongfully purported to terminate his franchise agreements because of his refusal to adopt the "Liberty Tax Service" name and as a result Liberty-Canada is in breach of contract with him and is tortiously interfering with his business. He seeks a declaration that Liberty-Canada's purported termination of him is a nullity, injunctive relief, damages, punitive damages, costs and attorney's fees. At the conclusion of a preliminary injunction hearing on January 24, 2001 the Court granted most of the interim relief which Halligan had requested and ordered Liberty-Canada temporarily, pending a final resolution on the merits at trial, not to prepare tax returns in his territories, not to solicit or divert his clients, to give Halligan the services and support specified in his franchise agreements, to offer to Halligan the Taxrush Agent Funding Agreement on the same terms and conditions made available to other franchisees, not to interfere with Halligan's telephone listing and to restore them, and to list Halligan's franchise locations and telephone numbers in all telephone directory advertising as was done in the past. However, Liberty-Canada need not provide advertising support for the name "U&R Tax Service", nor is Liberty-Canada obligated to renew Halligan's sublease at one of his present locations, nor must Liberty-Canada vacate a leased premises which Liberty-Canada occupies in one of Halligan's territories. A trial date has not yet been set. We are not a party to this action.

David Marazita & Kenneth Russell v. Tax Depot Inc., (Case No. 00-GD-48430) filed March 3, 2000 in the Superior Court of Justice, Windsor, Ontario. The plaintiffs are former franchisees of Tax Depot Inc., the predecessor in interest to Liberty-Canada. The plaintiffs allege that Tax Depot, Inc. agreed to transfer to them in connection with the purchase of franchises an exclusive customer list yet breached its duty to do so. The plaintiffs seek unspecified damages. The defendant denies the claims and has asserted a counterclaim seeking $200,000 based on the plaintiffs' breaches of franchise agreement. No trial date has been set. We are not a party to this litigation.

Concluded Litigation-

Shilesh Chaturvedi et al. v. Liberty Tax Service, (Case No. GD01-008851) filed May 2, 2001 in the Court of Common Pleas of Allegheny County, Pennsylvania. The plaintiffs, on behalf of themselves and all other persons and entities who allegedly received from us an unauthorized facsimile transmission anywhere in Pennsylvania within the four year period prior to the filing of this claim, brought suit alleging that we violated the federal Telephone Consumer Protection Act by sending unauthorized facsimiles advertising the availability and quality of products or services. The plaintiffs sought permission to proceed as a class action, $1,500 per facsimile sent, plus costs and attorney's fees.

On January 17, 2002 the Court gave final approval to a settlement in this case whereby all plaintiff class members received a coupon for free income tax preparation at any Liberty office on any individual income tax return. The coupon is fully transferable and does not expire. The two named plaintiffs also received a $1,500 incentive award. Liberty paid all costs of the settlement and paid $150,000 attorneys' fees to plaintiffs' counsel.

Kenro, Inc. v. Liberty Tax, Inc., (Case No. 49D060101CP000011), filed January 3, 2001 in the Marion Circuit/Superior Court in Indiana. The plaintiff, on behalf of itself all other persons and entities who allegedly received from us an unauthorized facsimile transmission anywhere in the United States since January 3, 1999, brought suit alleging that we violated the federal Telephone Consumer Protection Act by sending unauthorized facsimiles advertising the availability

and quality of products or services. The plaintiff sought permission to proceed as a class action, $500 per facsimile sent, trebled to $1,500, plus costs and attorney's fees. Plaintiff's counsel in this case subsequently joined as co-counsel in the *Chaturvedi* case above, in exchange for a portion of the legal fees we were paying in the case plus a $1500 incentive payment to Kenro, Inc., which we paid. In March 2002, the plaintiff dismissed this case with prejudice.

Mark S. Telich et al. v. Liberty Tax Service, (Case No. 440552) filed May 30, 2001 in the Court of Common Pleas, Cuyahoga County, Ohio. The plaintiffs, on behalf of themselves and all other persons and entities who allegedly received from us an unauthorized facsimile transmission anywhere in the United States from January 1, 2000 or thereafter, brought suit alleging that we violated the federal Telephone Consumer Protection Act and the Ohio Consumer Sales Practices Act by sending unauthorized facsimiles advertising the availability and quality of products or services. The plaintiffs sought permission to proceed as a class action, $1,500 per facsimile sent, plus costs and attorney's fees. On July 11, 2001, the plaintiffs filed an Amended Complaint and deleted the request to proceed as a class action. On August 16, 2001, the plaintiffs voluntarily dismissed all claims without any payment or consideration in exchange.

Jackson Hewitt Inc. v. John Seal and John Hewitt, (Case No. C98-78), filed January 1998 in the Circuit Court in Norfolk, Virginia. Jackson Hewitt filed a suit alleging that the operation of tax offices in Columbus, Ohio violated the covenants not to compete contained in Mr. Seal's severance agreement with Jackson Hewitt and in Mr. Hewitt's settlement agreement (of the 1996 suit, No. 96-4090, described below) with Jackson Hewitt. The case was resolved when Jackson Hewitt took a voluntary dismissal (non-suit), without prejudice, in February 1998 without any payment or consideration in exchange.

Jackson Hewitt Inc. v. John Hewitt, (Law No. 96-4090), filed December 1996 in the Circuit Court in Norfolk, Virginia. Jackson Hewitt sought attachment and monetary damages alleging that John Hewitt violated the terms of loan agreements with Jackson Hewitt. Mr. Hewitt denied these allegations. On August 4, 1997, the parties resolved all matters in dispute by entering into a settlement agreement whereby Mr. Hewitt agreed to a covenant not to compete and a covenant not to solicit until April 30, 1999, and other restrictions, and Jackson Hewitt agreed to pay Mr. Hewitt a continuing salary through April 1999. Mr. Hewitt gave no monetary consideration therefore.

Other than these nine actions listed above, no litigation is required to be disclosed in this offering circular.

ITEM 4
BANKRUPTCY

No person previously identified in Items 1 or 2 of this offering circular has been involved as a debtor in proceedings under the U.S. Bankruptcy Code required to be disclosed in this Item.

ITEM 5
INITIAL FRANCHISE FEES

Initial Franchise Fee. The initial franchise fee is $20,000 per new, undeveloped territory through November 30, 2002, and then $25,000 thereafter. You must submit a minimum of 20% of this fee after you have held this offering circular for ten business days. Except as to any portion which is financed, you must submit to us the balance due before attending Effective Operations Training. We will refund to you the initial franchise fee if we do not approve your application or if you do not pass our Effective Operations Training in accordance with our current passing standards for Training, provided that you return to us all materials which we distributed to you during Training. Upon this same criteria, we will also refund any down payment or fees paid by you to us to purchase a developed territory.

Territories with existing operations (developed territories) cost more. In general, the price is 120% of annual Gross Receipts of the territory plus expenses incurred from May 1 until the time of sale as to stores sold from May 1 until the start of the next tax season. The price may vary and we base it upon average fee, market share, growth potential, length of time in business, and other pertinent market conditions. If you purchase an existing office, you must sign both the franchise agreement and a Purchase and Sale Agreement. See Exhibit E.

ITEM 6
OTHER FEES

Fee	Amount	Due Date	Remarks
Royalty – for new, undeveloped territories	First year - $5,000 Second year - $8,000 Third year and beyond -14% of Gross Receipts; $11,000 minimum	Royalty is due on February 20th during the first and second year. After second year, royalties are due on 5th day of month with any balance owed to achieve Minimum royalty due May 5th for fiscal year ending April 30th.	Gross Receipts means all revenue from all services and products offered (including revenue from individual, corporate, estate and partnership tax returns), excluding only customer discounts and sales tax, but not service fees for credit card transactions.
Royalty – for existing, developed territories	14% of Gross Receipts; $11,000 minimum	5th day of month with any balance owed to achieve Minimum royalty due May 5th for fiscal year ending April 30th.	See definition of "Gross Receipts" above.
Advertising – for new, undeveloped territories	5% of Gross Receipts	5th day of month	See definition of "Gross Receipts" above.
Advertising – for existing, developed territories	5% of Gross Receipts	5th day of month	See definition of "Gross Receipts" above.
Exclusion of Pre-Existing Clients	$5 per client	Upon closing of franchise purchase	You may pay to us a one-time fee of $5 per client in your existing tax practice and as a result exclude future tax preparation fees of these clients from Gross Receipts.
Interest on late payments	The lesser of 18% or the highest rate permitted by law	Upon receipt of invoice	Owed on amounts that are more than 15 days past due.
Transfer Fee	$2,500	Upon transfer of business	

* All fees are imposed by and are payable to Liberty. All fees are non-refundable.

Note: When business circumstances so warrant, we may negotiate the royalty and advertising fees for multiple territory purchases and for the first and second year of the term of this agreement for a developed territory.

ITEM 7
YOUR ESTIMATED INITIAL INVESTMENT

Expenditure	Amount	Method of Payment	When Due	To Whom Payment is Made
Initial Franchise Fee	$20,000-$25,000 (Note 1)	Check	Upon signing of franchise agreement	JTH
Initial Advertising	$3,000 - $5,000 (Note 2)	Check/Charge	Before and after opening	Third-party Vendors
Travel and Living Expenses While Training	$100 - $2,000 (Note 3)	Check/Charge	Before opening	Third-party Vendors
Equipment & Furniture	$1,000 - $2,000 (Note 4)	Check/Charge	Before opening	Third-party Vendors
Signs	$500 - $1,000 (Note 4)	Check/Charge	Before opening	Third-party vendors
Rent	$2,250 - $6,000 (Note 5)	Check	Monthly	Landlord
Payroll	$3,000 - $5,000	Check	Bi-weekly	Employees
Insurance	$200 - $400	Check	Before opening	Insurance Agent
Additional Funds – 3 months	$3,000 (Note 6)	Check/Charge	As incurred	Suppliers, Utilities, etc.
TOTAL	$33,050 - $49,400 (Notes 7 & 8)	(Does not include royalties, advertising fees or interest expense)		

Note 1: On December 1, 2002, the initial franchise fee increases to $25,000. Offices that have operated previously are priced separately. See Item 5.

Note 2: Upon approval by us, we will count amounts spent on signs as spent for advertising. You must maintain a white and yellow phone book listing in your local telephone directories. You may also be required to purchase and/or contribute to a yellow page group advertisement or listing with other franchisees in your area. Additionally, in selected geographic areas, we may offer you the opportunity to join a voluntary supplemental advertising program. None of these various costs are included in the above dollar amounts. See Item 11, "Marketing," for details.

Note 3: Travel and living expenses will vary significantly depending upon whether you live in the local area and therefore have no lodging and minimal travel expenses, or whether you fly in from a distance and require air travel, lodging, meals and a rental car. The cost of air travel varies considerably upon time of year, city of origination, whether a Saturday night stay is included, and how far in advance you purchase your ticket. Virginia Beach is a resort city and motel prices may also rise at peak times. Low figures are for a local commuter with only meals and minimal travel expenses. We base the high figure upon flying to training, lodging at a mid-grade motel in Virginia Beach, Virginia and a compact rental car.

Note 4: Standard office equipment and furniture such as computers and desks, and signs, are necessary to operate the franchised business. We base estimated initial investment upon your using a lease to acquire these items. If you purchase equipment, furniture, and signs, approximate cost will be $8,000 to $10,000. Many existing businesses have standard office equipment and will only need to lease minimal additional equipment and furniture.

Note 5: A typical office is 1,000 to 1,200 square feet. Rent varies depending upon office size, location and market conditions in your area. If you make improvements to the property, you will incur additional expense for these items.

Note 6: Additional funds are to pay government fees, miscellaneous supplies, utility costs, professional expenses and similar items. We base this estimate upon the 100+ years of experience of our management in the tax industry.

Note 7: All fees paid to us are non-refundable, except the initial franchise fee. See Item 5 for conditions of refund of the initial franchise fee.

Note 8: These figures are estimates of your initial expenses covering three months from November 1 through January 31. We cannot guarantee that you will not have additional expenses starting the business. Do not construe the estimates as a break-even point. Your costs will depend on: how much you follow our methods and procedures; your management skills, experience and business acumen; local economic conditions; the local market for our services; the prevailing wage rate; competition; and the sales level reached during the initial period. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

A. Restriction on Sources of Products and Services

1. Purchase from JTH.

Processing Computer. You must purchase your tax return processing computer from or through us not later than ten days after your successful completion of Effective Operations Training or by October 15 of the year before you start operations, whichever is later.

Software. You must use the computer software that we provide or recommend.

Electronic Filing and Bank Products. If we negotiate an arrangement with a third party bank for the provision of refund anticipation loans or a means to obtain quicker refunds through electronic filing (collectively "Bank Products"), you must use this bank to provide Bank Products to your customers. Likewise, if we provide or recommend a source for electronically filing tax returns, you must utilize this source. You must receive a valid EFIN from the IRS to take advantage of electronic filing.

2. JTH Approval Required.

Products and Services. For the duration of your franchise, you are restricted from offering products or services other than the franchise services, unless you receive our prior written consent.

Site. You must lease or use retail office space sufficient to operate the franchise. We must approve the location of your site prior to your signing any leases or operating from a site. Provided that we approve the location of your site, you may lease from any lessor which you determine to be appropriate.

Signs. You must display an exterior lighted sign as approved by Liberty Tax at each of your offices. You can purchase a sign from any vendor, but we must pre-approve the sign.

Advertising and Marketing. You must use the Liberty trade names, service marks and trademarks ("Marks") as we develop them. At this time, our Marks include "Liberty Tax Service", "Liberty Tax", and "Liberty Income Tax." You must obtain our written consent before using our Marks in any way. For example, you must obtain our approval prior to using our Marks in advertising and marketing. You cannot use any marks which could be confused with our Marks. If we replace, add to or modify our Marks, you agree to update or replace your signs, supplies, etc. to reflect the new marks, at your expense. We must approve all advertising and marketing materials before you use these materials. You may purchase these materials from any vendor.

3. JTH Specifications.

Equipment. You must obtain and maintain a computer system which meets our then current specifications. Specifications may include a particular brand or source of computer product. We issue specifications to you.

Furniture. You must purchase or obtain furniture. You may obtain furniture from any source. At present, we do not specify a particular make or model but reserve the right to do so later in our Operations Manual.

Supplies. You must purchase office supplies, including those items listed as required in the Operations Manual. You may purchase these supplies from any vendor. However, if the supplies use our Marks, you must send to us a picture or other suitable visual illustration and we will telephone or send to you written approval, needed changes, or disapproval within approximately one to five business days.

Insurance. In addition to purchasing this insurance as is required by your state laws, you must obtain comprehensive general liability in the amount of at least $1,000,000 and employer's liability with a limit of at least

$1,000,000. You may purchase insurance from any vendor. You must name us as an additional insured on these policies.

B. JTH Approval Process

The Operations Manual details the specifications and approval process for products and services which require our approval. For example, we base site approval upon the location meeting certain criteria required for our offices, such as visibility and customer access. We generally approve signs and marketing materials if the use of our trademarks and logos is accurate. Specifications for computer equipment depend upon the needs of technology to support existing software and processes. We may establish supply and furniture specifications to obtain consistency in franchise services. We do not have a supplier approval or disapproval process, as you are free to use any supplier for equipment, supplies and furniture, except your processing computer, as described below.

C. JTH and Affiliate Provided Products and Services

Affiliates. Our affiliates are not presently approved suppliers.

Bank Products and Electronic Filing. If we provide or recommend a source for bank products and/or electronic filing, you must use the recommended source.

Equipment. We are an approved supplier of equipment, but you do not have to purchase equipment from us.

Furniture. We may recommend an approved supplier of furniture, but you do not have to purchase furniture from this supplier.

Office Lease. Under certain circumstances, we may offer to you to sublease or assign office space to you, but you are not obligated to lease or sublease space from us, our affiliates, or any designated lessor.

Processing Computer. You must purchase your tax return processing computer from or through us.

Signs. We may recommend an approved supplier of signs, but you do not have to purchase signs from this supplier.

Software. We or our designated third party are the only approved supplier of computer software for tax return preparation, electronic filing and the provision of bank products.

Supplies. We are an approved supplier of supplies, but you do not have to purchase supplies from us.

Telephone listings, advertisements and internet directory programs. You must purchase your telephone listings, advertisements and internet directory programs through any required service provider which we may designate for such purchases. As of the date of this Offering Circular, we have designated Donald R. Harvey, Inc. for such purchases.

D. Revenue Derived from Products, Services

Except as disclosed here, we do not derive revenue or other material consideration as a result of required purchases or leases. We do not receive and do not intend to receive revenue from our provision of software to you. We have an arrangement with a third party supplier, NCR Systemedia, whereby you may purchase equipment and supplies from them. They pay to us 15% of all paid purchases you make from them, less an allowance for bad debts from franchisees, unsold inventory, and storage. In the fiscal year ending April 30, 2002, the allowances for which we were responsible were greater than the payment we received under this arrangement. If you elect to buy supplies from us, we may mark up the price of the product from a typically discounted price we receive to cover the costs of shipping, materials, labor, overhead and administration of the provision of supplies. For supplies and products purchased from us during the fiscal year ending April 30, 2002, we received $211,463 gross revenues, from which we had costs of goods sold of $195,623, for a net revenue of $15,840, representing less than 1% of our total revenues of $13,939,608. We do not provide material benefits to you based on your use of a particular supplier.

For the Bank Products sold during the calendar year 2002 tax season, Bank One paid to us $7.10 per Bank Product and Republic Bank paid to us $14.30 per Bank Product plus an average of 1.3% of gross Refund Anticipation Loan value, all of which is subject to possible reduction for loan loss adjustments. In total, we earned $2,021,763 from these Bank Product rebates representing 14.6% of our total revenue of $13,939,608 for the fiscal year ending April 30, 2002. We expect that in the future we will continue to receive revenue from agreements with banks which provide Bank Products.

Donald R. Harvey, Inc. has an agreement to pay to us 2.5% of the gross annual billings which it receives each year on the placement of telephone listings, advertisements and internet directory programs through them. In the fiscal year ended April 30, 2002, we did not receive any such payments. When we do, we intend to use most or all of such money to cover the cost of running a national 1-800 number program which will automatically direct callers to a Liberty Tax Service office near them.

E. Percentage of Total Purchases

We estimate that required purchases and leases from us will be less than 20% of the total purchases and leases that you will make in establishing and operating your franchised business.

F. Cooperatives

At this time, we do not have any purchasing or distribution cooperatives.

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ITEM 9
FRANCHISEE'S OBLIGATIONS

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AND OTHER AGREEMENTS. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS OFFERING CIRCULAR.

Franchisee's Obligations	Section In Franchise Agreement	Item in Offering Circular
a. Site selection and acquisition/lease	3, 5	8
b. Pre-opening purchases/leases	5, 6	8
c. Site development and other pre-opening requirements	5, 6	8, 11
d. Initial and ongoing training	5, 6	11
e. Opening	6	11
f. Fees	4, Schedule B	5, 6
g. Compliance with standards and policies/Manual	6	8, 11
h. Trademarks and proprietary information	6, 9, 10	13, 14, 16, 17
i. Restrictions on products/services offered	5, 6	8, 11, 16
j. Warranty and customer service requirements	6	
k. Territorial development and sales quotas	6	12, 15
l. Ongoing product/service purchases	5, 6	8
m. Maintenance, appearance & remodeling requirements	6	
n. Insurance	6	8
o. Advertising	4	8, 11, 12
p. Indemnification	11, 21	15
q. Owner's participation/management/staffing	6	15
r. Records and reports	7	
s. Inspections and Audits	7	
t. Transfer	12, 13	17
u. Renewal	2	11, 17
v. Post-termination obligations	9, 10	16
w. Non-competition covenants	9, 10	15, 16, 17
x. Dispute resolution	10, 15	17, Note (Ex. C)

ITEM 10
FINANCING

Franchise Financing. At present, we provide "Guaranteed Financing" to you if you are in complete compliance with your franchise agreement as follows: If in your first tax season of operation you prepare in a Territory at least 500 federal income tax returns, we will provide you with Guaranteed Financing of up to $25,000. If in your first or second year of operation you prepare at least 800 federal income tax returns in a Territory, we will provide you with Guaranteed Financing of up to $40,000. If you qualify for Guaranteed Financing, it will be available to you in the May 1 through January 31 time period after the tax season in which you qualify for it. To qualify, you must also submit to us in writing the purposes for which you intend to use the money, and such purposes must relate to your Liberty franchise. We may, in our sole discretion, also provide other financing programs ("Other Financing") to you that may be used to finance a portion of your initial franchise fee or operating capital.

Whether we will extend Other or Guaranteed Financing and the amount will vary depending upon the availability of funds, your creditworthiness, the purposes for which you intend to use the money, the tax preparation market conditions in your area, and your compliance with your franchise agreements with us.

The interest rate for all financing is typically 12% but can vary depending upon your creditworthiness. Guaranteed Financing must typically be repaid by the subsequent February 28. Other Financing must typically be repaid over four years through four annual payments. We do not require a security interest. You or, in the case of an entity, your principals, must personally guarantee the debt. You may prepay the financing without penalty. You waive the homestead and any other available exemption, presentment, demand, protest, notice of dishonor and any other notice. If you default on amounts owed, we can accelerate the obligation to pay the entire amount due, seek our collection costs including attorney's fees from you, and terminate your franchise agreement. See Exhibit C. If we provide financing for you, all of the revenue you are to receive from Bank Products shall initially be paid directly to us, rather than to you, and we may deduct debts you owe to us before remitting the balance to you. We have a practice of using financing instruments as collateral for lines of credit and we are free to sell, assign or discount these instruments to third parties. If we assign our rights under financial instruments, we intend to remain primarily obligated to provide the financial goods or services specified in these instruments. We do not receive direct or indirect payments for placing financing.

At present, our agents and affiliates do not offer any financing arrangements. Except as disclosed below, we do not guarantee notes or your other obligations to third parties except upon exceptional circumstances. We may guarantee leases for office space which we assign to you if required by the landlord.

Leasing. We have a written arrangement with **Total Lease Concepts** ["TLC"] by which TLC provides leasing to qualified franchisees to finance furniture, fixtures and equipment, working capital and franchise fees. TLC determines the amount of financing they will extend on a case-by-case basis depending upon the applicant's creditworthiness. The APR varies based upon the term of the lease as follows: 18.3% for 60 months, 19.6% for 48 months, 22.8% for 36 months, and 32.4% for 24 months. These APR's are based upon your purchasing the leased items at the end of the lease term by paying the required 10% of the amount of lease financing to exercise this option. You may apply for a lease term of 24, 36, 48 or 60 months. TLC requires a security interest in any furniture, fixtures, and equipment which they finance. You must personally guarantee the lease. You can not prepay the debt. (Exhibit D-2, TLC Lease Agreement, para. 3). Upon default, TLC may retake the leased items, terminate the lease, declare all sums due to be immediately due and payable, and recover damages, 15% interest, and reasonable attorney's fees. (Exhibit D-2, TLC Lease Agreement para. 15). TLC charges a $250 processing fee to process a lease application and requires payment of the first and last month lease payment upon inception of the lease. We guarantee your performance under the TLC lease.

ITEM 11
FRANCHISER'S OBLIGATIONS

Except as listed below, we need not provide any assistance to you.

A. Before Opening

Training. We provide a minimum five day Effective Operations training course in Virginia Beach, Virginia which addresses critical aspects of operating an income tax preparation business. Please see the chart on the next page for the course schedule. Training is held in select weeks during the summer and fall months. You and/or any general manager must attend and successfully complete this training prior to operating a Liberty office. We do not charge for this training but you must pay for any expenses that you incur as a result of attending training, such as travel, lodging and entertainment. (Franchise Agreement, paragraph 5.a.).

Operations Manual. We offer guidance in the operation of your franchised business in our Operations Manual. The manual presently has 324 pages and we may amend it at any time. See Table of Contents at Exhibit I. We will provide you with updates to the manual either electronically or via regular mail. You must abide by the terms of the then current Operations Manual. (Franchise Agreement, paragraph 5.b.).

Site Approval. We provide guidance and advice regarding the selection of the location of your office(s). You may not sign a lease until we approve the site you choose for your office. We will consider whether the site location includes visibility, accessibility by car or public transportation, reasonableness of the office size for a tax preparation office and other related factors. We intend to approve or disapprove site selections within 21 days of submission to us. If we do not approve a site selection for you, you cannot open for business and we may terminate your franchise. (Franchise Agreement, paragraphs 5.c. and 8.b.(v)). However, upon your return to us of our Manual and any other materials you received from us, we will refund to you any fees you paid to us. In the alternative, you and we may continue looking for a site which we do approve.

Software. We will provide or recommend a source for tax return preparation software capable of preparing federal tax returns for individuals and state tax returns for individuals. (Franchise Agreement, paragraph 5.e.).

The courses offered in our Training and the approximate number of hours devoted to each course follow:

Course	**Instructional Materials**	**Hours/Days Classroom Training**	**Instructor**
Introduction	Operations Manual	1 and 1/2 hours	Varies (Note 1)
Starting a Tax Business	Operations Manual	1 and 1/2 hours	Varies
Site Selection	Operations Manual	3 and 1/2 hours	Varies
New Office Setup	Operations Manual	1 and 1/2 hours	Varies
Management Tools	Operations Manual	2 and 1/2 hours	Varies
Supply	Operations Manual	30 minutes	Varies
Advertising and Marketing	Operations Manual	3 hours	Varies
Tax School	Operations Manual	1 and 1/2 hours	Varies
Staffing	Operations Manual	1 and 1/2 hours	Varies
Customer Service	Operations Manual	1 and 1/2 hours	Varies
Office Procedures	Operations Manual	3 hours	Varies
Processing Center	Operations Manual	3 hours	Varies
Bookkeeping	Operations Manual	2 hours	Varies
Computer Applications	Operations Manual	3 hours	Varies

Note 1: Each topic is taught by one or more of the instructors below, whose business experience is as follows:

John Hewitt, President, Chief Executive Officer and Chairman. See Item 2.

Donna Halligan, Vice-President of Franchise Operations and Corporate Secretary. See Item 2.

Jake Lovelace, Director of Training. Mr. Lovelace has served as the Director of Training since February 2002 and served as an Instructor since May 2000. From January 2002 to April 2002, Mr. Lovelace served as a Processor and Tax Preparer for a Liberty Tax franchisee in Virginia Beach, Virginia. From January 2001 until May 2001, and from January 2000 until April 2000, Mr. Lovelace served as General Manager for another Liberty Tax franchisee in Chattanooga and Clarksville, Tennessee, respectively.

Susan Stanley, Instructor. Ms. Stanley has served as an Instructor since April 2001. From February 2002 until the present, Ms. Stanley has also served as our Franchise Development Support Manager. From June 1999 until April 2001, Ms. Stanley served as an Advertising Coordinator for us. From January 1993 until May 1999, Ms. Stanley served as Director of Operations for Junior Achievement of Greater Hampton Roads in Norfolk, Virginia.

Nancy Nelson, Instructor. Ms. Nelson has served as an Instructor for us since January 2000. From January 1995 until December 1999, Ms. Nelson served as a Trainer for Jackson Hewitt Inc. in Virginia Beach, Virginia, except from September 1995 through March 1997, when Ms. Nelson served as Administrative Assistant to the CEO of Jackson Hewitt. From June 1987 through October 1994, Ms. Nelson started and ran her own small jewelry wholesale business in Virginia Beach, Virginia.

Robin Brown, Instructor. Ms. Brown has served as an Instructor for us since April 2002. From December 2000 until January 2002, Ms. Brown was an Account Manager for Chad Supply in Norfolk, Virginia. From March 2000 until December 2000 Ms. Brown was a Salesperson for Wildfire Communications in Virginia Beach, Virginia. From September 1995 until March 2000, Ms. Brown served as a Franchise Service Manager for Jackson Hewitt Inc. in Virginia Beach, Virginia.

Oscar Aujero. Mr. Aujero has served as an Instructor for us since April 2002. From December 2001 until April 2002 Mr. Aujero served as a Technical Support Troubleshooter for us in Virginia Beach, Virginia.

B. After Opening

Tax Advice. We will provide telephone and/or internet support for your questions regarding federal and state individual income tax returns during normal business hours. (Franchise Agreement, paragraph 5.f.).

Marketing. We raise fees related to marketing from the fee which we charge you for leads which we provide to you (Franchise Agreement, paragraph 3.5) and from the fee we charge you for the cost of procuring and printing advertising materials for you to use (Franchise Agreement, paragraph 3.7). We disburse these fees to develop, produce, distribute and/or conduct advertising programs, marketing programs, public relations, and marketing research. We spend advertising fees on a national, regional or local basis for television, radio and print advertising as we determine to be appropriate. We produce advertising in-house and through a local advertising agency. Marketing and advertising programs may include advertising to sell franchises. For fiscal year ending April 30, 2002, we did not raise or spend any material sums for any of these purposes. We pay all costs of marketing activities, including a share of corporate overhead related to advertising and marketing, with these fees. We do not guarantee that you will benefit directly from any advertising or marketing. You may use your own advertising material provided that we first approve it for compliance with our specifications for advertising and use of our Marks. (Franchise Agreement, paragraph 5.d.).

For future years, when we anticipate having raised and spent substantial amounts of money pursuant to paragraphs 3.5 and 3.7 of the Master Brokerage Agreements, you may obtain an accounting of these advertising expenditures by sending a written request to the attention of our Accounting Department.

We do not have the power to require the formation, change, dissolution or merger of any advertising cooperatives.

In selected geographic areas, we may offer you the opportunity to participate with other franchisees in your area in a supplemental advertising program. We will pool contributions from all participating franchisees and use the contributions to promote Liberty Tax products and services in your area. We are not obligated to offer a supplemental advertising program in your area, and you are not required to participate in or contribute to any such program that we may offer.